



LETTER OF CREDIT DEPARTMENT
101 BARCLAY ST., 8th FLOOR, EAST
NEW YORK, N.Y. 10286-1238

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OUR LETTER OF CREDIT S00053704
CONSTELLATION ENERGY AND/OR

AUTHORITY TO PAY, WE WILL DEDUCT AN ADDITIONAL USD20.00 PLUS ANY OTHER APPLICABLE CHARGES RELATED TO THE PRESENTATION.

TO EXPEDITE PAYMENT, PLEASE PROVIDE THE NECESSARY PAYMENT INSTRUCTIONS, SUCH AS BANK NAME AND ACCOUNT NUMBER. OUR REMITTANCE FEE IS USD25.00 FOR PAYMENTS VIA CHIPS OR FEDERAL FUNDS.

VIII. IT IS A CONDITION OF THIS CONFIRMATION THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR A PERIOD OF ONE YEAR FROM THE INITIAL OR ANY FUTURE EXPIRATION DATE HEREOF UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE INITIAL OR ANY FUTURE EXPIRATION DATE OF THIS CONFIRMATION WE NOTIFY YOU IN WRITING BY COURIER SERVICE THAT:

(A) THE ISSUING BANK HAS ELECTED NOT TO EXTEND THE CONFIRMED INSTRUMENT FOR AN ADDITIONAL PERIOD OF ONE YEAR AND THAT WE HAVE CONSEQUENTLY ELECTED NOT TO RENEW OUR CONFIRMATION FOR SUCH ADDITIONAL PERIOD; OR (B) THAT WE HAVE ELECTED ON OUR OWN NOT TO ADD OUR CONFIRMATION TO THE CONFIRMED INSTRUMENT FOR SUCH ADDITIONAL PERIOD.

IX. IF ANY AMENDMENT TO THIS CONFIRMATION IS NOT ACCEPTED BY THE BENEFICIARY, THE BENEFICIARY'S SIGNED STATEMENT TO THAT EFFECT IS REQUIRED.

X. OUR CONFIRMATION IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

YOURS, VERY TRULY,

AUTHORIZED SIGNATURE

NON-NEGOTIABLE COPY

Bank of New York Co. Inc.

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CREDIT RATING

A+/Stable/A-1

Outstanding Rating(s)

Counterparty Credit	A+/Stable/A-1
Senior unsecured	
Local currency	A+
Commercial paper	
Local currency	A-1
Commercial paper	
Foreign currency	NR
Subordinated	
Local currency	A
Preferred stock	
Local currency	NR

Credit Rating History

May 8, 1997	A+/A-1
June 3, 1993	A/A-1

Sovereign Rating

United States of America	AAA/Stable/A-1+
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Related Entities

Bank of New York (DE), Newark

Counterparty Credit	AA-/Stable/A-1+
Certificate of deposit	
Local currency	AA-/A-1+
Senior unsecured	
Local currency	AA-

Short-Term debt

Local currency A-1+

Bank of New York Trust Company, N.A.

Counterparty Credit	AA-/Stable/A-1+
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Bank of New York, NY

Counterparty Credit	AA-/Stable/A-1+
Certificate of deposit	
Local currency	AA-/A-1+
Senior unsecured	
Local currency	AA-
Short-Term debt	
Local currency	A-1+

BNY Capital IV

Preferred stock	
Local currency	A-

BNY Capital I

Preferred stock	
Local currency	A-

BNY Capital II

Preferred stock	
Local currency	A-

BNY Capital III

Preferred stock	
Local currency	A-

RatingsDirect
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BNY Capital V

BNY Capital VI

BNY Capital VII

BNY Capital VIII

BNY Capital X

BNY Institutional Capital Trust A

Preferred stock

Local currency

A-

Major Rating Factors

Strengths:

- Refocused strategy in high-margin fiduciary businesses
- Increased geographic diversification of fee-based activities
- Strong liquidity and improved risk-asset base

Weaknesses:

- Revenue growth can be highly variable as it depends on the path of global securities markets
- Weakening capital measures
- Less diversified business model

Rationale

The ratings on Bank of New York Co. Inc. (BNY) reflect the company's strong leadership positions in its securities servicing, asset management, and trust/custody businesses, as well as its good track record of financial performance, and a relatively low risk profile. Reported capital measures have been somewhat light, partly because of acquisitions. Standard & Poor's Ratings Services expects management to rebuild capital. Positively, we know that risk assets have declined with the recent asset swap of its retail and middle-market banking operations for J.P. Morgan Chase's (JPM) corporate trust business.

We view the company's sharpened business focus on its institutional servicing and fiduciary businesses during 2006 as a positive strategic step, as management will be less distracted by noncore operations. While BNY has lost some business diversification by swapping out of its retail banking activities (an important risk mitigant, in our view), its retail branch network had long been suboptimized and required sizable investments to compete effectively in the increasingly competitive New York metropolitan area.

BNY's planned merger with Mellon Financial Corp. is its third major strategic repositioning in 2006 and builds on management's sharpened business focus. With the Mellon merger, BNY solidifies its position in the trust/custody business while significantly augmenting its asset-management capabilities. BNY is already a recognized leader in securities processing and global payment services. Mellon, on the other hand, is a prominent global asset manager and servicer of financial assets, and it maintains leading market positions in asset management, fund administration, and cash management. The company has had a particular focus on higher valued businesses that focus on high-net-worth individuals and large institutional customers. We believe integration risk could be heightened for a period of time, but both legacy companies' good track records at integrating acquired companies somewhat mitigates this risk.

We attribute the company's respectable financial performance to its solid fee-based business model, in which high-growth fee income comprises more than 62% of total revenue. In the past 10 years, BNY's business model has been transformed such that its higher-margin institutional services business now represents 92% of pretax income, compared to about half in 1995. While profit growth is highly dependent on capital markets strength, the main engine for growth is the general trend toward increased outsourcing of noncore functions by financial institutions and corporations worldwide. These services mostly involve the scaleable parts of the investment process, which management is targeting.

For BNY, securities servicing has been a key growth engine. With \$12.2 trillion in assets under custody, the firm ranks as the top global custodian. After the Mellon merger, assets under custody will top \$16 trillion. BNY possesses a broad product offering and an extensive global network of subcustodians in more than 100 markets. These fee-based revenues are not entirely stable because they depend on the vitality of U.S. and global capital markets. Certain businesses, such as correspondent clearing and depository receipts, depend on equity trading volumes, while others, such as government securities clearance and corporate trust, are more aligned with the fixed-income markets. This diversified stream of revenues, covering the complete investment cycle, distinguishes BNY from monoline custody banks and is an important factor that supports the ratings. Coupled with disciplined expense control, BNY business model naturally tends to flourish during periods of normal-to-robust market conditions.

Lastly, capitalization is adequate in the context of the bank's on-balance-sheet credit risk profile. The legal, operational, and reputational risks associated with its sizable off-balance-sheet securities-processing business would warrant a certain level of excess capital to protect against unforeseen noncredit risks. Tangible capital measures will drop upon closing of the Mellon transaction, but we anticipate management will abstain from share repurchases until the tangible capital ratio exceeds 5%.

Outlook

The outlook is stable. We expect BNY and Mellon to integrate their operations successfully while maintaining their performance metrics and business focus.

We also anticipate capital measures will be strengthened over time. Failure to do so could exert downward pressure on the ratings. Following the integration period, the company should be poised to take advantage of both the savings and cross-selling opportunities offered through the merger to enhance the strength and performance of the resulting organization. Should the combined entity's financial profile improve beyond our current expectations, ratings could be raised.

Profile

BNY is a recognized leader in securities processing and global payment services. It is the largest custodial bank in the world, with \$12.2 trillion of assets under custody, including \$4.2 trillion of cross-border assets. It is also a commercial banking organization with more than \$106 billion of consolidated assets. Its principal subsidiary is The Bank of New York (BoNY), founded in 1784.

Recently, BNY announced its intention to merge with Mellon Financial, with more than \$40 billion in assets, in an all-stock transaction expected to close early in third-quarter 2007. The combined entity, which will be named Bank of New York Mellon Corp., will rank first as a global custodian, with more than \$16 trillion of assets under custody. The merged entity will also solidify its top ranking in issuer services (corporate trust, ADRs, stock transfer) and clearing services.

The company possesses a broad product set that spans the entire investment lifecycle from pretrade investment decisions and support for trade executions to post-trade settlement and custody services. This product diversity is a key driver of cross-selling within asset servicing. Importantly, BNY is diversified across asset classes providing servicing for equities and equity-linked products, mutual funds, and fixed income.

With the continuation of its strategic refocusing this year, BNY's business model should now be more balanced between institutional services and private banking and asset management. To illustrate, table 1 shows that the firm holds premerger dominant positions across its securities-servicing businesses, ranking first in six out of eight specific businesses. Those include: global custody and fund services, depository receipts, global corporate trust, correspondent clearing, government security clearance, and collateral management. BNY was second in the other two, securities-lending and exchange-traded funds. Its largest client segment is a diverse range of financial institutions.

Table 1

Market Leadership In Securities Servicing			
Category	Measure	Rank	Market share (%)
Global Custody & Fund Services	Assets under custody	1	15
Depository Receipts	Total sponsored programs	1	64
Global Corporate Trust	Global debt issuance	1	34
Correspondent Clearing	IBD relationships	1	20
Government Security Clearance	Average US volume	1	50
Collateral Management	Average US volume	1	58
Securities Lending	Loans outstanding	2	15

Source: Bank of New York

In expanding its securities-processing franchise, BNY has become a horizontally integrated firm. It provides services to issuers, investors, and financial institutions, especially broker-dealers, through the entire investment process. That includes everything from trade execution to securities safekeeping and accounting. As a result, BNY has a well-rounded set of securities-processing businesses that serve different segments of the capital markets. This mix of customers, products, and geography not only diversifies BNY's revenue stream, but also creates cross-sell opportunities.

With large custody volumes, the firm should be able to leverage economies of scale to generate solid profit margins, as well as keep up with capital-intensive investment in technology infrastructure and support for new business growth. With scale and years of intellectual and technological capital investment, the company appears well positioned to capture a majority share of revenues from a secular outsourcing growth trend, which seems set to continue.

Ownership And Legal Status

BNY is a broadly held financial services holding company, whose shares trade on the NYSE under the ticker BK. BNY is subject to regulation by the Federal Reserve Board and the New York State Banking Dept. The company's subsidiary banks are subject to supervision and examination by applicable federal and state banking agencies.

Strategy

Continuing a multiyear transformation away from traditional commercial banking, BNY primarily operates as an institutional securities servicer and asset manager. The bank has continuously retooled its strategic direction by shedding noncore businesses. Those include: retail banking, corporate lending, credit cards, investing in asset management, and investment-servicing businesses, which include custody and securities processing. In setting the bank's course, management wants to expand its fee-generating, securities-processing and global payments capabilities, whether through acquisition (like Mellon) or organic growth. In doing so, BNY has been able to build large economies of scale that support the profitability of these activities.

Recently, BNY formed a new company, BNY ConvergeX Group. It combined some of its BNY Securities Group's brokerage and technology operations with Eze Castle Software and GTCR Golder Rauner LLC. BNY holds about a 35.4% ownership stake accounted for as an equity investment. BNY's businesses that are included in the new firm are BNY Brokerage, Lynch, Jones & Ryan, G-Port, Westminster Research, and BNY Jaywalk. BNY's B-Trade and C-Trade businesses are expected to be included in 2008. From a financial perspective, we believe the effect on earnings and capital is modest, even as business diversification is being somewhat reduced.

Looking ahead, management is highly focused on several specific opportunities including: collateral management, hedge fund services, exchange traded funds, registered investment advisors, European investor services, and depository receipts.

In particular, BNY has increased its global capabilities with key alliances and acquisitions. The company is focused on Europe and has increased its offshore mutual fund servicing by setting up key locations in Brussels, Dublin, London, Luxembourg, and Singapore. The recent asset swap with JPM allowed BNY to increase its presence in high growth regions, including 15 incremental offices in Europe, Asia, and Latin America. Post-merger with Mellon, the firm will have operations in 37 countries. With increased focus on international areas, the firm is well equipped to handle the growing complexities and pressures of increased cross-border trading volumes and the globalization of investment assets. International revenues proforma with Mellon should account for about 25% of the new firm's total revenues.

Risk Management

As a result of its transformation process, BNY's risk profile has changed during the past few years. As part of our Operational Risk Assessment, some of the key components regarding operations that are evaluated are: technology, risk management, quality and operational preparedness of back-up data centers, and the effectiveness of the institution's business continuity plans.

In all of these areas, BNY stands out as being on top with a high-quality operations risk management process. During the past three to four years, the bank invested substantially in technology, back-up data centers, and business continuity planning. The two back-up data centers have a strong operational preparedness with good technology risk management infrastructures in place. The centers are equipped with experienced and senior level individuals from the bank. Given the geopolitical threats that have emerged during the past few years, the bank feels comfortable about the distance between its two processing centers with virtualization across the infrastructure and security playing a paramount role.

The technology risk management committee meets regularly with daily, weekly, monthly, and quarterly schedules. In addition to this primary committee, the bank has established several other